

[By Jenna Pizzi](#)

Rep. Peter Welch touted legislation Monday that he hopes will aid in the expansion of a specialized insurance industry in Vermont.

The legislation that he is co-sponsoring with Rep. John Campbell, R-Calif., would allow what is called captive insurance to expand coverage to include commercial property insurance.

Captive insurance is a form of regulated self-insurance where companies can tailor the policy to their own needs without going through a third-party insurance agency. It is currently restricted to risk management insurance, including things like medical malpractice.

"Captive insurance companies essentially retain their own risk," Welch said at a news conference at the Burlington International Airport before heading back to Washington, D.C.

Vermont is considered the "gold standard" for captive insurance, with 900 captives in the state. Companies that use captive insurance in Vermont range from small businesses to nonprofits and even Fortune 100 companies.

Welch attributes Vermont's success as the domestic leader in captive insurance to having a head start. He was a member of the state Senate's Finance Committee when the Legislature passed Vermont's captive insurance law under Gov. Richard Snelling in 1981.

The Vermont Captive Insurance Association, headquartered in Burlington, is the largest captive insurance company in the world.

"Folks are coming from near and far," said Richard Smith, president of the association. "That is the power of this industry in Vermont."

Smith said the new legislation would update the law, allow the industry to blossom and help companies save more money on insurance costs.

Vermont captives have been strong because of the ability of regulators to work with companies.

"We've required that they have proper capital reserves and that they do all the things insurance companies have to do," said Welch. "But when they've had a practical problem, we've had regulators that are there to try to come up with a practical solution, and that's the way it ought to be done."

Welch said many companies have been very successful at lowering their insurance costs while still managing their risk responsibly.

Dianne Salter, vice president of Mountain Laurel Risk Retention Group, said her company, which supplies many Philadelphia hospitals with medical malpractice insurance, was attracted to Vermont in 2002 because of the captive insurance industry. Salter said there was no other insurance coverage available to the Philadelphia hospitals and the 1,800 physicians they employ.

“With the regulation and the authority that’s here we were able to put together a risk retention group that has been extremely successful,” she said.

Welch said he is confident that other members of Congress will see the benefits of helping the captive insurance industry and that the bill will pass.